



Supplemental Investor Package

Second Quarter 2016

Investor Contact:
Dale A. Thatcher
Tel: 973-948-3000
Investor.Relations@Selective.com

Selective Insurance Group, Inc. & Consolidated Subsidiaries
Second Quarter 2016 Investor Package
Table of Contents

| | |
|---|---------------------------|
| Earnings Press Release..... | <u>1</u> |
| Selected Balance Sheet Data..... | <u>6</u> |
| Selected Income Statement Data..... | <u>7</u> |
| GAAP Insurance Operations Results..... | <u>8</u> |
| Quarterly GAAP Investment Income..... | <u>9</u> |
| Statutory Results by Line of Business - Quarter..... | <u>10</u> |
| Statutory Results by Line of Business - Year-to-Date..... | <u>11</u> |
| Net Catastrophe Losses and Prior Year Casualty Reserve Development..... | <u>12</u> |
| Consolidated Balance Sheets..... | <u>13</u> |
| Consolidated Statements of Income..... | <u>14</u> |
| Consolidated Statements of Comprehensive Income..... | <u>15</u> |
| Consolidated Statements of Stockholders' Equity..... | <u>16</u> |
| Consolidated Statements of Cash Flow..... | <u>17</u> |
| Statutory Balance Sheets..... | <u>18</u> |
| Statutory Statements of Income..... | <u>19</u> |
| Alternative Investments..... | <u>20</u> |



Selective Reports Second Quarter 2016 Net Income per Diluted Share of \$0.74 and Operating Income¹ per Diluted Share up 16% to \$0.72

In the second quarter of 2016:

- Net premiums written grew 9%
- GAAP combined ratio was 91.8%
- Statutory combined ratio was 90.1%
- After-tax net investment income declined 5%
- Total return on equity was 11.5% and operating return on equity¹ was 11.2%

Branchville, NJ – July 27, 2016 – Selective Insurance Group, Inc. (NASDAQ: SIGI) today reported its financial results for the second quarter ended June 30, 2016. Net income per diluted share was \$0.74, compared to \$0.58 a year ago, and operating income¹ per diluted share grew 16% to \$0.72, compared to \$0.62 a year ago.

“In the second quarter, we generated a 90.1% statutory combined ratio, or 88.5% excluding catastrophe losses,” said Gregory E. Murphy, Chairman and Chief Executive Officer. “Growth in the quarter was strong with a 9% increase in overall net premiums written, driven by stable retention and 3.0% renewal pure price increases in standard lines, along with higher levels of new business. As we evaluate growth, we prioritize opportunities in our current footprint where we have substantial long-term premium opportunity by increasing our share of wallet and agent market share. Over time, however, we expect to add new footprint states to further improve geographic diversification and grow the organization.”

Murphy continued, “At Selective, our goal is to generate an operating return on equity that, over time, exceeds our weighted average cost of capital by 300 basis points. In the first half of 2016 and for full year 2015, we exceeded this goal. We remain focused on delivering underwriting and claims improvements as well as achieving renewal pure price increases that meet or exceed expected claims inflation.”

| Consolidated Financial Results <i>\$ in millions, except per share data</i> | <i>Quarter Ended June 30,</i> | | Change | <i>Year-to-date June 30,</i> | | Change |
|---|-----------------------------------|-------------|---------------|----------------------------------|-------------|---------------|
| | 2016 | 2015 | | 2016 | 2015 | |
| Net premiums written | \$578.1 | \$532.1 | 9% | \$1,143.5 | \$1,050.2 | 9% |
| Net premiums earned | \$531.9 | \$490.3 | 8% | \$1,054.4 | \$966.4 | 9% |
| Net investment income earned | \$31.2 | \$32.2 | (3)% | \$62.0 | \$59.1 | 5% |
| Net realized gains (losses), pre-tax | \$1.8 | \$(3.4) | 152% | \$(0.9) | \$15.5 | (106)% |
| Total revenues | \$568.7 | \$522.0 | 9% | \$1,120.2 | \$1,045.9 | 7% |
| Operating income ¹ | \$42.5 | \$36.0 | 18% | \$81.2 | \$63.4 | 28% |
| Net realized gains (losses), net of tax | \$1.1 | \$(2.2) | 152% | \$(0.6) | \$10.1 | (106)% |
| Net income | \$43.6 | \$33.8 | 29% | \$80.6 | \$73.5 | 10% |
| Statutory combined ratio | 90.1% | 93.5% | (3.4) pts | 90.4% | 93.2% | (2.8) pts |
| Catastrophe losses | 1.6 pts | 4.9 pts | (3.3) pts | 2.2 pts | 5.1 pts | (2.9) pts |
| Non-catastrophe property losses | 12.1 pts | 14.4 pts | (2.3) pts | 12.4 pts | 14.6 pts | (2.2) pts |
| (Favorable) prior year statutory reserve development on casualty lines | (1.9) pts | (4.1) pts | 2.2 pts | (2.6) pts | (4.1) pts | 1.5 pts |
| GAAP combined ratio | 91.8% | 94.1% | (2.3) pts | 92.0% | 94.3% | (2.3) pts |
| Operating income per diluted share ¹ | \$0.72 | \$0.62 | 16% | \$1.39 | \$1.10 | 26% |
| Net income per diluted share | \$0.74 | \$0.58 | 28% | \$1.38 | \$1.27 | 9% |
| Weighted average diluted shares | 58.6M | 57.8M | 1% | 58.6M | 57.8M | 1% |
| Book value per share | | | | \$26.86 | \$22.95 | 17% |

¹Operating income differs from net income by the exclusion of realized gains and losses on investments. It is used as an important financial measure by management, analysts, and investors, because the realization of investment gains and losses on sales in any given period is largely discretionary as to timing. In addition, these investment gains and losses, as well as other-than-temporary investment impairments that are charged to earnings and the results of discontinued operations, could distort the analysis of trends. Operating income is not intended as a substitute for net income prepared in accordance with U.S. generally accepted accounting principles (GAAP). A reconciliation of operating income to net income is provided in the Consolidated Financial Results table. Statutory data is prepared in accordance with statutory accounting rules as defined by the National Association of Insurance Commissioners Accounting Practices and Procedures Manual and, therefore, is not reconciled to GAAP.

Note: All amounts included in this release exclude intercompany transactions.

Operating Highlights

Standard Commercial Lines

Standard Commercial Lines premiums were up 9% in the second quarter, reflecting renewal pure price increases of 2.6%, steady retention at 83%, and a 6% increase in new business to \$96 million. The quarter's statutory combined ratio improved by 1.5 points to 88.6%. Lower catastrophe and non-catastrophe property losses contributed to the improvement in the combined ratio.

| Standard Commercial Lines <i>\$ in millions, statutory results</i> | <i>Quarter Ended June 30,</i> | | Change | <i>Year-to-date June 30,</i> | | Change |
|--|-----------------------------------|-------------|---------------|----------------------------------|-------------|---------------|
| | 2016 | 2015 | | 2016 | 2015 | |
| Net premiums written | \$449.0 | \$410.8 | 9% | \$904.1 | \$826.1 | 9% |
| Net premiums earned | \$411.3 | \$377.2 | 9% | \$814.2 | \$742.7 | 10% |
| Statutory loss & loss expense ratio | 53.8% | 55.7% | (1.9) pts | 54.5% | 56.1% | (1.6) pts |
| Statutory underwriting expense ratio | 34.4% | 33.9% | 0.5 pts | 34.2% | 33.3% | 0.9 pts |
| Statutory dividends to policyholders ratio | 0.4% | 0.5% | (0.1) pts | 0.4% | 0.5% | (0.1) pts |
| Statutory combined ratio | 88.6% | 90.1% | (1.5) pts | 89.1% | 89.9% | (0.8) pts |
| GAAP combined ratio | 90.2% | 90.7% | (0.5) pts | 91.3% | 91.2% | 0.1 pts |

Standard Personal Lines

Standard Personal Lines premiums were down slightly compared to the second quarter of 2015, retention improved by one point to 83%, and renewal pure price was 5.2%.

The statutory combined ratio in the second quarter for Standard Personal Lines was 89.9%, which is a 15.5 point improvement from the same period last year. The profitable combined ratio in the current quarter benefited from catastrophe and non-catastrophe property losses that were lower than the prior year period by 8.5 points and 5.8 points, respectively.

| Standard Personal Lines <i>\$ in millions, statutory results</i> | <i>Quarter Ended June 30,</i> | | Change | <i>Year-to-date June 30,</i> | | Change |
|--|-----------------------------------|-------------|---------------|----------------------------------|-------------|---------------|
| | 2016 | 2015 | | 2016 | 2015 | |
| Net premiums written | \$75.6 | \$76.0 | (1)% | \$137.5 | \$141.0 | (2)% |
| Net premiums earned | \$70.8 | \$72.1 | (2)% | \$141.0 | \$144.5 | (2)% |
| Statutory loss & loss expense ratio | 59.6% | 75.0% | (15.4) pts | 58.1% | 74.2% | (16.1) pts |
| Statutory underwriting expense ratio | 30.3% | 30.4% | (0.1) pts | 32.0% | 31.0% | 1.0 pt |
| Statutory combined ratio | 89.9% | 105.4% | (15.5) pts | 90.1% | 105.2% | (15.1) pts |
| GAAP combined ratio | 91.4% | 106.5% | (15.1) pts | 89.6% | 104.9% | (15.3) pts |

Excess and Surplus Lines

Excess and Surplus Lines net premiums written increased 18% in the quarter with a 4.8% overall pure price increase for the segment and strong new business. The statutory combined ratio in the second quarter was 102.7%, which included 5.4 points of catastrophe losses and adverse prior year casualty reserve development of \$2 million, or 4.0 points. Efforts to improve margins in excess and surplus lines include shifting our mix of business, claims improvements, and targeted price increases on challenged segments.

| Excess & Surplus Lines <i>\$ in millions, statutory results</i> | <i>Quarter Ended June 30,</i> | | Change | <i>Year-to-date June 30,</i> | | Change |
|---|-----------------------------------|-------------|---------------|----------------------------------|-------------|---------------|
| | 2016 | 2015 | | 2016 | 2015 | |
| Net premiums written | \$53.6 | \$45.3 | 18% | \$101.9 | \$83.1 | 23% |
| Net premiums earned | \$49.8 | \$41.0 | 21% | \$99.2 | \$79.1 | 25% |
| Statutory loss & loss expense ratio | 69.6% | 67.2% | 2.4 pts | 69.3% | 67.4% | 1.9 pts |
| Statutory underwriting expense ratio | 33.1% | 35.5% | (2.4) pts | 31.3% | 35.1% | (3.8) pts |
| Statutory combined ratio | 102.7% | 102.7% | - | 100.6% | 102.5% | (1.9) pts |
| GAAP combined ratio | 105.1% | 103.6% | 1.5 pts | 101.1% | 103.8% | (2.7) pts |

Investment Income

After-tax investment income in the second quarter was \$24 million, down 5% compared to a year ago. Pre-tax income increased 4% in the fixed income portfolio driven by a higher invested asset base. This income was partially offset by a pre-tax loss of \$0.6 million in alternative investments, which report on a one-quarter lag, compared to income of \$1.4 million in the second quarter of 2015.

| Investments <i>\$ in millions, except per share data</i> | <i>Quarter Ended June 30,</i> | | Change | <i>Year-to-date June 30,</i> | | Change |
|--|-----------------------------------|-------------|---------------|----------------------------------|-------------|---------------|
| | 2016 | 2015 | | 2016 | 2015 | |
| Invested assets per dollar of stockholders' equity | | | | \$3.39 | \$3.76 | (10)% |
| Net investment income earned, after-tax | \$23.5 | \$24.8 | (5)% | \$47.1 | \$46.0 | 2% |
| Net investment income per share | \$0.40 | \$0.43 | (7)% | \$0.80 | \$0.80 | - |
| Effective tax rate | 24.6% | 23.1% | 1.5 pts | 24.0% | 22.2% | 1.8 pts |
| Average yields: | | | | | | |
| Fixed Income Securities: | | | | | | |
| Pre-tax | | | | 2.7% | 2.8% | (0.1) pts |
| After-tax | | | | 2.0% | 2.1% | (0.1) pts |
| Portfolio: | | | | | | |
| Pre-tax | | | | 2.4% | 2.4% | - |
| After-tax | | | | 1.8% | 1.9% | (0.1) pts |

Balance Sheet

| Balance Sheet <i>\$ in millions, except per share data</i> | <i>June 30,</i> | <i>December 31,</i> | Change |
|--|-----------------|---------------------|---------------|
| | 2016 | 2015 | |
| Total assets | \$7,189.6 | \$6,904.4 | 4% |
| Investment portfolio | \$5,266.5 | \$5,089.3 | 3% |
| Notes payable | \$388.4 | \$388.2 | - |
| Statutory surplus | \$1,506.5 | \$1,426.3 | 6% |
| Stockholders' equity | \$1,552.7 | \$1,398.0 | 11% |
| Book value per share | \$26.86 | \$24.37 | 10% |

The increase in book value per share reflects net income of \$1.38 and a \$1.37 increase in unrealized investment gains, partially offset by \$0.30 in shareholders' dividends.

Selective's Board of Directors declared a \$0.15 per share quarterly cash dividend on common stock payable September 1, 2016, to stockholders of record as of August 15, 2016.

Guidance

Having achieved better-than-expected results in the first six months, Selective expects to generate the following results for full-year 2016:

- A statutory combined ratio excluding catastrophes of approximately 89.5%, which is an improvement of 1.5 points from our previous guidance of 91%. This assumes no additional prior year casualty reserve development;
- Catastrophe losses of 3.5 points;
- After-tax investment income of approximately \$95 million; and
- Weighted average shares of approximately 58.5 million.

The supplemental investor package, including financial information that is not part of this press release, is available on the Investors page of Selective's website at www.Selective.com. Selective's quarterly analyst conference call will be simulcast at 8:30 a.m. ET, on Thursday, July 28, 2016 at www.Selective.com. The webcast will be available for rebroadcast until the close of business on August 29, 2016.

About Selective Insurance Group, Inc.

Selective Insurance Group, Inc. is a holding company for ten property and casualty insurance companies rated "A" (Excellent) by A.M. Best. Through independent agents, the insurance companies offer standard and specialty insurance for commercial and personal risks, and flood insurance underwritten by the National Flood Insurance Program. Selective maintains a website at www.Selective.com.

Forward-Looking Statements

In this press release, Selective and its management discuss and make statements based on currently available information regarding their intentions, beliefs, current expectations and projections regarding Selective's future operations and performance.

Certain statements in this report, including information incorporated by reference, are "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995 ("PSLRA"). The PSLRA provides a safe harbor under the Securities Act of 1933 and the Securities Exchange Act of 1934 for forward-looking statements. These statements relate to our intentions, beliefs, projections, estimations or forecasts of future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, or performance to be materially different from those expressed or implied by the forward-looking statements. In some cases, you can identify forward-looking statements by use of words such as "may," "will," "could," "would," "should," "expect," "plan," "anticipate," "target," "project," "intend," "believe," "estimate," "predict," "potential," "pro forma," "seek," "likely" or "continue" or other comparable terminology. These statements are only predictions, and we can give no assurance that such expectations will prove to be correct. We undertake no obligation, other than as may be required under the federal securities laws, to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Factors that could cause our actual results to differ materially from those projected, forecasted or estimated by us in forward-looking statements, include, but are not limited to:

- difficult conditions in global capital markets and the economy;
- deterioration in the public debt and equity markets and private investment marketplace that could lead to investment losses and fluctuations in interest rates;
- ratings downgrades could affect investment values and, therefore, statutory surplus;
- the adequacy of our loss reserves and loss expense reserves;
- the frequency and severity of natural and man-made catastrophic events, including, but not limited to, hurricanes, tornadoes, windstorms, earthquakes, hail, terrorism, explosions, severe winter weather, floods and fires;
- adverse market, governmental, regulatory, legal or judicial conditions or actions;
- the concentration of our business in the Eastern Region;
- the cost and availability of reinsurance;
- our ability to collect on reinsurance and the solvency of our reinsurers;
- uncertainties related to insurance premium rate increases and business retention;
- changes in insurance regulations that impact our ability to write and/or cease writing insurance policies in one or more states;
- recent federal financial regulatory reform provisions that could pose certain risks to our operations;
- our ability to maintain favorable ratings from rating agencies, including A.M. Best, Standard & Poor's, Moody's and Fitch;
- our entry into new markets and businesses; and
- other risks and uncertainties we identify in filings with the United States Securities and Exchange Commission, including, but not limited to, our Annual Report on Form 10-K and other periodic reports.

These risk factors may not be exhaustive. We operate in a continually changing business environment, and new risk factors emerge from time-to-time. We can neither predict such new risk factors nor can we assess the impact, if any, of such new risk factors on our businesses or the extent to which any factor or combination of factors may cause actual results to differ materially from those expressed or implied in any forward-looking statements in this report. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this report might not occur.

Selective's SEC filings can be accessed through the Investors page of Selective's website, www.Selective.com, or through the SEC's EDGAR Database at www.sec.gov (Selective EDGAR CIK No. 0000230557).

Investor Contact:

Dale A. Thatcher
973-948-3000

Investor.Relations@Selective.com

Media Contact:

Jamie M. Beal
973-948-1234

Jamie.Beal@Selective.com

Selective Insurance Group, Inc.
40 Wantage Avenue
Branchville, New Jersey 07890
www.Selective.com

Selective Insurance Group, Inc. & Consolidated Subsidiaries
Selected Balance Sheet Data
(unaudited)

| (\$ in thousands, except per share data) | June 30, | | | June 30, | | | December 31, | | |
|---|------------------|-----------------|-------------------------------------|------------------|-----------------|-------------------------------------|------------------|-----------------|-------------------------------------|
| | 2016 | | | 2015 | | | 2015 | | |
| | Balance Sheet | Market Value | Unrecognized/ Unrealized Gain | Balance Sheet | Market Value | Unrecognized/ Unrealized Gain | Balance Sheet | Market Value | Unrecognized/ Unrealized Gain |
| Invested Assets: | | | | | | | | | |
| Corporate bonds ¹ | \$ 3,132,689 | 3,135,192 | 80,119 | \$ 2,782,479 | 2,785,884 | 36,643 | \$ 2,955,001 | 2,957,427 | 8,276 |
| Government and Municipal bonds | 1,699,394 | 1,703,655 | 92,059 | 1,658,198 | 1,666,636 | 35,307 | 1,654,556 | 1,660,320 | 55,901 |
| Total fixed income securities | 4,832,083 | 4,838,847 | 172,178 | 4,440,677 | 4,452,520 | 71,950 | 4,609,557 | 4,617,747 | 64,177 |
| Equities | 152,938 | 152,938 | 26,057 | 228,883 | 228,883 | 10,745 | 207,051 | 207,051 | 13,235 |
| Short-term investments | 205,451 | 205,451 | - | 168,349 | 168,349 | - | 194,819 | 194,819 | - |
| Other investments | 76,051 | 76,051 | - | 85,420 | 85,420 | - | 77,842 | 77,842 | - |
| Total invested assets | \$ 5,266,523 | 5,273,287 | 198,235 | 4,923,329 | 4,935,172 | 82,695 | 5,089,269 | 5,097,459 | 77,412 |
| Invested assets per \$ of stockholders' equity | 3.39 | | | 3.76 | | | 3.64 | | |
| Total assets | 7,189,641 | | | 6,777,952 | | | 6,904,433 | | |
| Liabilities: | | | | | | | | | |
| Reserve for loss and loss expenses | 3,590,169 | | | 3,535,433 | | | 3,517,728 | | |
| Unearned premium reserve | 1,263,450 | | | 1,177,901 | | | 1,169,710 | | |
| Total liabilities | 5,636,904 | | | 5,467,639 | | | 5,506,392 | | |
| Stockholders' equity | 1,552,737 | | | 1,310,313 | | | 1,398,041 | | |
| Total debt to capitalization ratio | 20.0% | | | 22.8% | | | 21.7% | | |
| Book value per share | 26.86 | | | 22.95 | | | 24.37 | | |
| Book value per share excluding unrealized gain or loss on fixed income portfolio | 25.00 | | | 22.26 | | | 23.74 | | |
| NPW per insurance segment employee | 1,011 | | | 945 | | | 979 | | |
| Statutory premiums to surplus ratio | 1.4x | | | 1.5x | | | 1.5x | | |
| Statutory surplus | 1,506,535 | | | 1,344,630 | | | 1,426,320 | | |

¹ Includes mortgage-backed and asset-backed securities.

Selective Insurance Group, Inc. & Consolidated Subsidiaries
Selected Income Statement Data
(unaudited)

| (\$ in thousands, except per share amounts) | | Quarter Ended June 30, | | | | Year-to-Date June 30, | | | | |
|---|--------------|------------------------|--------|-------------------|---------------|-----------------------|---------------|-------------------|---------------|--------|
| | | 2016 | | 2015 | | 2016 | | 2015 | | |
| | | Per diluted share | | Per diluted share | | Per diluted share | | Per diluted share | | |
| Consolidated | | | | | | | | | | |
| Revenue | \$ | 568,747 | | \$ | 521,973 | \$ | 1,120,221 | \$ | 1,045,865 | |
| Operating income | | 42,454 | 0.72 | | 35,991 | | 81,244 | | 63,425 | 1.10 |
| Net realized gains (losses), after tax | | 1,147 | 0.02 | | (2,223) | | (611) | | 10,051 | 0.17 |
| Net income | | 43,601 | 0.74 | | 33,768 | | 80,633 | | 73,476 | 1.27 |
| Return on equity | | 11.5% | | | 10.3% | | 10.9% | | 11.4% | |
| Operating return on equity | | 11.2% | | | 11.0% | | 11.0% | | 9.8% | |
| Total Insurance Operations | | | | | | | | | | |
| Gross premiums written | | 673,650 | | | 626,368 | | 1,326,248 | | 1,231,232 | |
| Net premiums written | | 578,140 | | | 532,133 | | 1,143,499 | | 1,050,221 | |
| Net premiums earned | | 531,932 | | | 490,309 | | 1,054,390 | | 966,432 | |
| Underwriting gain | - before tax | 43,777 | | | 29,124 | | 84,732 | | 55,145 | |
| | - after tax | 28,455 | 0.49 | | 18,930 | 0.33 | 55,076 | 0.94 | 35,844 | 0.62 |
| GAAP combined ratio | | 91.8% | | | 94.1% | | 92.0% | | 94.3% | |
| Standard Commercial Lines | | | | | | | | | | |
| Net premiums earned | | 411,277 | | | 377,205 | | 814,166 | | 742,738 | |
| GAAP combined ratio | | 90.2% | | | 90.7% | | 91.3% | | 91.2% | |
| Standard Personal Lines | | | | | | | | | | |
| Net premiums earned | | 70,824 | | | 72,071 | | 141,029 | | 144,550 | |
| GAAP combined ratio | | 91.4% | | | 106.5% | | 89.6% | | 104.9% | |
| Excess and Surplus Lines | | | | | | | | | | |
| Net premiums earned | | 49,831 | | | 41,033 | | 99,195 | | 79,144 | |
| GAAP combined ratio | | 105.1% | | | 103.6% | | 101.1% | | 103.8% | |
| Investments | | | | | | | | | | |
| Net investment income | - before tax | 31,182 | | | 32,230 | | 61,951 | | 59,147 | |
| | - after tax | 23,525 | 0.40 | | 24,779 | 0.43 | 47,085 | 0.80 | 45,987 | 0.80 |
| Effective tax rate | | 24.6% | | | 23.1% | | 24.0% | | 22.2% | |
| Annualized after-tax yield on investment portfolio | | | | | | | 1.8% | | 1.9% | |
| Annualized after-tax, after-interest expense yield | | | | | | | 1.5% | | 1.6% | |
| Invested assets per \$ of stockholders' equity | | | | | | | 3.39 | | 3.76 | |
| Other expenses (net of other income) | | | | | | | | | | |
| Interest expense | - before tax | (5,620) | | | (5,612) | | (11,226) | | (11,216) | |
| | - after tax | (3,653) | (0.06) | | (3,649) | (0.06) | (7,297) | (0.12) | (7,291) | (0.13) |
| Other expense - after tax | \$ | (5,873) | (0.11) | \$ | (4,069) | (0.08) | \$ (13,620) | (0.23) | \$ (11,115) | (0.19) |
| Diluted weighted avg shares outstanding | | 58,598 | | | 57,805 | | 58,552 | | 57,761 | |

Selective Insurance Group, Inc. & Consolidated Subsidiaries
GAAP Insurance Operations Results
(unaudited)

Second Quarter

(\$ in thousands)

Quarter Ended June 30, 2016

Quarter Ended June 30, 2015

| | Standard Commercial Lines | Standard Personal Lines | Excess & Surplus Lines | Grand Total | Standard Commercial Lines | Standard Personal Lines | Excess & Surplus Lines | Grand Total |
|--------------------------------------|---------------------------------|----------------------------|---------------------------|---------------|---------------------------------|----------------------------|---------------------------|---------------|
| Net Premiums Written | 449,008 | 75,576 | 53,556 | 578,140 | 410,821 | 75,986 | 45,326 | 532,133 |
| Net Premiums Earned | 411,277 | 70,824 | 49,831 | 531,932 | 377,205 | 72,071 | 41,033 | 490,309 |
| Loss and Loss Expense Incurred | 221,618 | 42,212 | 34,649 | 298,479 | 210,088 | 53,933 | 27,540 | 291,561 |
| Net Underwriting Expenses Incurred | 147,868 | 22,487 | 17,703 | 188,058 | 130,032 | 22,793 | 14,955 | 167,780 |
| Dividends to Policyholders | 1,618 | - | - | 1,618 | 1,844 | - | - | 1,844 |
| GAAP Underwriting Gain (Loss) | 40,173 | 6,125 | (2,521) | 43,777 | 35,241 | (4,655) | (1,462) | 29,124 |
| GAAP Ratios | | | | | | | | |
| Loss and Loss Expense Ratio | 53.9% | 59.6% | 69.5% | 56.1% | 55.7% | 74.8% | 67.1% | 59.5% |
| Underwriting Expense Ratio | 35.9% | 31.8% | 35.6% | 35.4% | 34.5% | 31.7% | 36.5% | 34.2% |
| Dividends to Policyholders Ratio | 0.4% | 0.0% | 0.0% | 0.3% | 0.5% | 0.0% | 0.0% | 0.4% |
| Combined Ratio | 90.2% | 91.4% | 105.1% | 91.8% | 90.7% | 106.5% | 103.6% | 94.1% |

Year-to-Date

(\$ in thousands)

Year-to-Date June 30, 2016

Year-to-Date June 30, 2015

| | Standard Commercial Lines | Standard Personal Lines | Excess & Surplus Lines | Grand Total | Standard Commercial Lines | Standard Personal Lines | Excess & Surplus Lines | Grand Total |
|--------------------------------------|---------------------------------|----------------------------|---------------------------|---------------|---------------------------------|----------------------------|---------------------------|---------------|
| Net Premiums Written | 904,071 | 137,545 | 101,883 | 1,143,499 | 826,079 | 141,010 | 83,132 | 1,050,221 |
| Net Premiums Earned | 814,166 | 141,029 | 99,195 | 1,054,390 | 742,738 | 144,550 | 79,144 | 966,432 |
| Loss and Loss Expense Incurred | 444,968 | 81,907 | 68,748 | 595,623 | 416,236 | 106,902 | 53,422 | 576,560 |
| Net Underwriting Expenses Incurred | 294,822 | 44,392 | 31,550 | 370,764 | 257,856 | 44,769 | 28,733 | 331,358 |
| Dividends to Policyholders | 3,271 | - | - | 3,271 | 3,369 | - | - | 3,369 |
| GAAP Underwriting Gain (Loss) | 71,105 | 14,730 | (1,103) | 84,732 | 65,277 | (7,121) | (3,011) | 55,145 |
| GAAP Ratios | | | | | | | | |
| Loss and Loss Expense Ratio | 54.7% | 58.1% | 69.3% | 56.5% | 56.0% | 74.0% | 67.5% | 59.7% |
| Underwriting Expense Ratio | 36.2% | 31.5% | 31.8% | 35.2% | 34.7% | 30.9% | 36.3% | 34.3% |
| Dividends to Policyholders Ratio | 0.4% | 0.0% | 0.0% | 0.3% | 0.5% | 0.0% | 0.0% | 0.3% |
| Combined Ratio | 91.3% | 89.6% | 101.1% | 92.0% | 91.2% | 104.9% | 103.8% | 94.3% |

Selective Insurance Group, Inc. and Consolidated Subsidiaries
GAAP Investment Income
June 2016 (unaudited)

| (\$ in thousands, except per share data) | Quarter Ended | | % | Year-to-Date | | % |
|--|------------------|---------------|------------|------------------|---------------|------------|
| | June | June | Increase | June | June | Increase |
| | 2016 | 2015 | (Decrease) | 2016 | 2015 | (Decrease) |
| Investment Income: | | | | | | |
| Interest: | | | | | | |
| Fixed Income Securities | \$ 31,753 | 30,659 | 4 | \$ 63,397 | 61,626 | 3 |
| Short-term | 142 | 23 | 517 | 301 | 48 | 527 |
| Other Investments | (611) | 1,422 | (143) | (1,677) | (2,118) | 21 |
| Dividends | 2,204 | 2,384 | (8) | 4,434 | 4,176 | 6 |
| | <u>33,488</u> | <u>34,488</u> | <u>(3)</u> | <u>66,455</u> | <u>63,732</u> | <u>4</u> |
| Investment Expense | <u>2,306</u> | <u>2,258</u> | <u>2</u> | <u>4,504</u> | <u>4,585</u> | <u>(2)</u> |
| Net Investment Income Before Tax | 31,182 | 32,230 | (3) | 61,951 | 59,147 | 5 |
| Tax | 7,657 | 7,451 | 3 | 14,866 | 13,160 | 13 |
| Net Investment Income After Tax | \$ 23,525 | 24,779 | (5) | \$ 47,085 | 45,987 | 2 |
| Net Investment Income per Share | \$ 0.40 | 0.43 | (7) | \$ 0.80 | 0.80 | 0 |
| Effective Tax Rate | 24.6% | 23.1% | | 24.0% | 22.2% | |
| Average Yields : | | | | | | |
| Fixed Income Securities: | | | | | | |
| Pre Tax | | | | 2.69% | 2.79% | |
| After Tax | | | | 2.01% | 2.12% | |
| Portfolio: | | | | | | |
| Pre Tax | | | | 2.39% | 2.43% | |
| After Tax | | | | 1.82% | 1.89% | |

| | Quarter Ended | | Year-to-Date | |
|-----------------------------|---------------|---------|--------------|--------|
| | June | June | June | June |
| | 2016 | 2015 | 2016 | 2015 |
| Net Realized Gains (Losses) | | | | |
| Fixed Income Securities | 171 | 288 | (219) | 667 |
| Equity Securities | 1,594 | (3,708) | (716) | 15,450 |
| Other Investments | - | - | (4) | (654) |
| Total | 1,765 | (3,420) | (939) | 15,463 |
| Net of Tax | 1,147 | (2,223) | (611) | 10,051 |

As of June 30, 2016 year-to-date new money rates for fixed income securities were 3.0% on a pre-tax basis and 2.1% on an after-tax basis.

Selective Insurance Group, Inc.
Combined Insurance Company Subsidiaries
2016 Statutory Results by Line of Business
Quarter Ended June 2016 (unaudited)

| (\$ in thousands) | Net Premiums Written | Percent Change | Net Premiums Earned | Percent Change | Loss Ratio | LAE Ratio | Underwriting Expense Ratio | Dividends to Policyholders Ratio | Combined Ratio 2016 | Combined Ratio 2015 | Underwriting Gain (Loss) |
|-----------------------------------|----------------------------|-------------------|---------------------------|-------------------|---------------|--------------|----------------------------------|--|------------------------|------------------------|-----------------------------|
| Standard Personal Lines: | | | | | | | | | | | |
| Homeowners | \$ 35,993 | (0.8)% | \$ 33,411 | (0.9)% | 40.2% | 8.8% | 35.3% | 0.0% | 84.4% | 114.3% | \$ 4,308 |
| Auto | 37,956 | 0.1% | 35,881 | (2.3)% | 58.7% | 11.4% | 34.2% | 0.0% | 104.3% | 106.4% | (2,248) |
| Other (including flood) | <u>1,627</u> | (8.7)% | <u>1,532</u> | (4.3)% | 68.1% | (23.9)% | (173.5)% | 0.0% | (129.2)% | (93.1)% | <u>2,503</u> |
| Total | \$ 75,576 | (0.5)% | \$ 70,824 | (1.7)% | 50.2% | 9.4% | 30.3% | 0.0% | 89.9% | 105.4% | \$ 5,737 |
| Standard Commercial Lines: | | | | | | | | | | | |
| Commercial property | \$ 79,354 | 12.2% | \$ 73,591 | 10.6% | 35.4% | 5.0% | 37.5% | 0.3% | 78.2% | 95.3% | \$ 13,883 |
| Workers compensation | 79,074 | 4.8% | 75,251 | 6.1% | 43.6% | 14.1% | 28.7% | 1.3% | 87.7% | 89.2% | 8,167 |
| General liability | 145,489 | 8.1% | 129,283 | 8.5% | 34.4% | 13.9% | 35.0% | 0.2% | 83.5% | 77.6% | 15,696 |
| Auto | 108,888 | 12.2% | 98,896 | 11.5% | 64.4% | 9.9% | 32.5% | 0.2% | 107.0% | 100.6% | (10,191) |
| Businessowners' policies | 25,275 | 7.2% | 24,651 | 6.4% | 33.3% | 11.5% | 37.6% | 0.0% | 82.4% | 108.6% | 4,114 |
| Bonds | 6,846 | 17.7% | 5,665 | 11.0% | 12.8% | 7.4% | 54.3% | 0.0% | 74.6% | 86.6% | 800 |
| Other | <u>4,082</u> | 14.9% | <u>3,940</u> | 10.9% | 0.3% | 0.2% | 55.9% | 0.0% | 56.4% | 55.8% | <u>1,639</u> |
| Total | \$ 449,008 | 9.3% | \$ 411,277 | 9.0% | 42.8% | 11.0% | 34.4% | 0.4% | 88.6% | 90.1% | \$ 34,107 |
| E&S | \$ 53,556 | 18.2% | \$ 49,831 | 21.4% | 49.1% | 20.5% | 33.1% | 0.0% | 102.7% | 102.7% | \$ (2,571) |
| Total Insurance Operations | \$ 578,140 | 8.6% | \$ 531,932 | 8.5% | 44.3% | 11.7% | 33.8% | 0.3% | 90.1% | 93.5% | \$ 37,274 |

Note: Some amounts may not foot due to rounding.

| | 2016 | 2015 |
|-------------|-------------------|-------------------|
| Losses Paid | \$ 241,720 | \$ 224,744 |
| LAE Paid | <u>51,045</u> | <u>49,067</u> |
| Total Paid | <u>\$ 292,765</u> | <u>\$ 273,811</u> |

Selective Insurance Group, Inc.
Combined Insurance Company Subsidiaries
2016 Statutory Results by Line of Business
Year-to-Date June 2016 (unaudited)

| (\$ in thousands) | Net Premiums Written | Percent Change | Net Premiums Earned | Percent Change | Loss Ratio | LAE Ratio | Underwriting Expense Ratio | Dividends to Policyholders Ratio | Combined Ratio 2016 | Combined Ratio 2015 | Underwriting Gain (Loss) |
|-----------------------------------|----------------------------|-------------------|---------------------------|-------------------|---------------|--------------|----------------------------------|--|------------------------|------------------------|-----------------------------|
| Standard Personal Lines: | | | | | | | | | | | |
| Homeowners | \$ 62,566 | (2.8)% | \$ 66,311 | (1.7)% | 38.6% | 8.4% | 38.0% | 0.0% | 85.0% | 113.8% | \$ 11,380 |
| Auto | 71,979 | (2.1)% | 71,661 | (2.8)% | 58.2% | 11.2% | 35.1% | 0.0% | 104.5% | 106.5% | (3,368) |
| Other (including flood) | <u>3,000</u> | (4.7)% | <u>3,057</u> | (8.7)% | 64.3% | (31.8)% | (168.6)% | 0.0% | (136.1)% | (103.0)% | <u>7,119</u> |
| Total | \$ 137,545 | (2.5)% | \$ 141,029 | (2.4)% | 49.1% | 9.0% | 32.0% | 0.0% | 90.1% | 105.2% | \$ 15,131 |
| Standard Commercial Lines: | | | | | | | | | | | |
| Commercial property | \$ 154,998 | 9.4% | \$ 143,769 | 9.7% | 41.4% | 4.8% | 38.6% | 0.4% | 84.8% | 96.9% | \$ 17,483 |
| Workers compensation | 170,386 | 7.0% | 151,251 | 8.5% | 41.8% | 14.0% | 27.3% | 1.1% | 84.3% | 89.9% | 18,531 |
| General liability | 290,195 | 9.5% | 257,368 | 9.9% | 35.5% | 12.6% | 35.0% | 0.2% | 83.4% | 75.3% | 31,106 |
| Auto | 217,096 | 12.1% | 194,315 | 11.0% | 63.9% | 9.4% | 32.4% | 0.3% | 106.0% | 100.0% | (19,021) |
| Businessowners' policies | 50,069 | 4.7% | 48,555 | 5.8% | 38.2% | 11.5% | 38.9% | 0.0% | 88.6% | 113.6% | 4,961 |
| Bonds | 12,771 | 15.8% | 11,129 | 10.1% | 12.8% | 7.4% | 57.5% | 0.0% | 77.8% | 85.6% | 1,526 |
| Other | <u>8,556</u> | 13.0% | <u>7,779</u> | 10.8% | (0.4)% | 0.2% | 55.3% | 0.0% | 55.1% | 53.9% | <u>3,064</u> |
| Total | \$ 904,071 | 9.4% | \$ 814,166 | 9.6% | 44.0% | 10.5% | 34.2% | 0.4% | 89.1% | 89.9% | \$ 57,650 |
| E&S | \$ 101,883 | 22.6% | \$ 99,195 | 25.3% | 49.3% | 20.0% | 31.3% | 0.0% | 100.6% | 102.5% | \$ (1,475) |
| Total Insurance Operations | \$ 1,143,499 | 8.9% | \$ 1,054,390 | 9.1% | 45.2% | 11.2% | 33.7% | 0.3% | 90.4% | 93.2% | \$ 71,306 |

Note: Some amounts may not foot due to rounding.

| | 2016 | 2015 |
|-------------|-------------------|-------------------|
| Losses Paid | \$ 452,393 | \$ 419,110 |
| LAE Paid | <u>97,169</u> | <u>94,061</u> |
| Total Paid | <u>\$ 549,562</u> | <u>\$ 513,171</u> |

Selective Insurance Group, Inc.
Combined Insurance Company Subsidiaries
2016 Net Catastrophe Losses and Prior Year Casualty Reserve Development
Statutory Results by Line of Business
(unaudited)

| Net Catastrophe Losses Incurred | Quarter Ended | | | | Year-to-Date | | | |
|--|-----------------------------------|--|-----------------------------------|--|-----------------------------------|--|-----------------------------------|--|
| | June 30, 2016 | | June 30, 2015 | | June 30, 2016 | | June 30, 2015 | |
| | Loss and Loss Expense Incurred | Impact on Loss and Loss Expense Ratio | Loss and Loss Expense Incurred | Impact on Loss and Loss Expense Ratio | Loss and Loss Expense Incurred | Impact on Loss and Loss Expense Ratio | Loss and Loss Expense Incurred | Impact on Loss and Loss Expense Ratio |
| (\$ in thousands) | | | | | | | | |
| Standard Personal Lines | \$ 2,104 | 3.0% | \$ 8,279 | 11.5% | \$ 4,329 | 3.1% | \$ 14,597 | 10.1% |
| Standard Commercial Lines | \$ 3,623 | 0.9% | \$ 13,609 | 3.6% | \$ 15,272 | 1.9% | \$ 32,258 | 4.3% |
| E&S | \$ 2,689 | 5.4% | \$ 2,092 | 5.1% | \$ 3,184 | 3.2% | \$ 2,444 | 3.1% |
| Total Insurance Operations | \$ 8,416 | 1.6% | \$ 23,980 | 4.9% | \$ 22,785 | 2.2% | \$ 49,299 | 5.1% |

| Prior Year Casualty Reserve Development (Favorable) / Unfavorable | Quarter Ended | | | | Year-to-Date | | | |
|--|-----------------------------------|--|-----------------------------------|--|-----------------------------------|--|-----------------------------------|--|
| | June 30, 2016 | | June 30, 2015 | | June 30, 2016 | | June 30, 2015 | |
| | Loss and Loss Expense Incurred | Impact on Loss and Loss Expense Ratio | Loss and Loss Expense Incurred | Impact on Loss and Loss Expense Ratio | Loss and Loss Expense Incurred | Impact on Loss and Loss Expense Ratio | Loss and Loss Expense Incurred | Impact on Loss and Loss Expense Ratio |
| (\$ in thousands) | | | | | | | | |
| Standard Personal Lines | \$ - | 0.0% | \$ - | 0.0% | \$ - | 0.0% | \$ - | 0.0% |
| Standard Commercial Lines | \$ (12,000) | (2.9)% | \$ (21,000) | (5.6)% | \$ (30,000) | (3.7)% | \$ (42,000) | (5.7)% |
| E&S | \$ 2,000 | 4.0% | \$ 1,000 | 2.4% | \$ 3,000 | 3.0% | \$ 2,000 | 2.5% |
| Total Insurance Operations | \$ (10,000) | (1.9)% | \$ (20,000) | (4.1)% | \$ (27,000) | (2.6)% | \$ (40,000) | (4.1)% |

Note: Some amounts may not foot due to rounding.

Selective Insurance Group, Inc. & Consolidated Subsidiaries
Consolidated Balance Sheets

| | Unaudited June 30, 2016 | December 31, 2015 |
|--|-------------------------------|----------------------|
| (\$ in thousands, except share amounts) | | |
| ASSETS | | |
| Investments: | | |
| Fixed income securities, held-to-maturity – at carrying value (fair value: \$167,061 – 2016; \$209,544 – 2015) | \$ 160,297 | 201,354 |
| Fixed income securities, available-for-sale – at fair value (amortized cost: \$4,506,580 – 2016; \$4,352,514 – 2015) | 4,671,786 | 4,408,203 |
| Equity securities, available-for-sale – at fair value (cost: \$126,881 – 2016; \$193,816 – 2015) | 152,938 | 207,051 |
| Short-term investments (at cost which approximates fair value) | 205,451 | 194,819 |
| Other investments | 76,051 | 77,842 |
| Total investments | 5,266,523 | 5,089,269 |
| Cash | 1,530 | 898 |
| Interest and dividends due or accrued | 39,941 | 38,501 |
| Premiums receivable, net of allowance for uncollectible accounts of: \$4,624 – 2016; \$4,422 – 2015 | 706,555 | 615,164 |
| Reinsurance recoverables, net of allowance for uncollectible accounts of: \$6,100 – 2016; \$5,700 – 2015 | 592,423 | 561,968 |
| Prepaid reinsurance premiums | 145,520 | 140,889 |
| Deferred federal income tax | 47,696 | 92,696 |
| Property and equipment – at cost, net of accumulated depreciation and amortization of: \$193,997 – 2016; \$188,548 – 2015 | 68,573 | 65,701 |
| Deferred policy acquisition costs | 228,554 | 213,159 |
| Goodwill | 7,849 | 7,849 |
| Other assets | 84,477 | 78,339 |
| Total assets | \$ 7,189,641 | 6,904,433 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Liabilities: | | |
| Reserve for loss and loss expenses | \$ 3,590,169 | 3,517,728 |
| Unearned premiums | 1,263,450 | 1,169,710 |
| Short-term debt | 60,000 | 60,000 |
| Long-term debt | 328,433 | 328,192 |
| Current federal income tax | 8,670 | 7,442 |
| Accrued salaries and benefits | 118,733 | 167,336 |
| Other liabilities | 267,449 | 255,984 |
| Total liabilities | \$ 5,636,904 | 5,506,392 |
| Stockholders' Equity: | | |
| Preferred stock of \$0 par value per share: | \$ — | — |
| Authorized shares 5,000,000; no shares issued or outstanding | | |
| Common stock of \$2 par value per share: | | |
| Authorized shares 360,000,000 | | |
| Issued: 101,451,214 – 2016; 100,861,372 – 2015 | 202,903 | 201,723 |
| Additional paid-in capital | 340,109 | 326,656 |
| Retained earnings | 1,509,242 | 1,446,192 |
| Accumulated other comprehensive income (loss) | 72,007 | (9,425) |
| Treasury stock – at cost (shares: 43,638,649 – 2016; 43,500,642 – 2015) | (571,524) | (567,105) |
| Total stockholders' equity | \$ 1,552,737 | 1,398,041 |
| Commitments and contingencies | | |
| Total liabilities and stockholders' equity | \$ 7,189,641 | 6,904,433 |

Selective Insurance Group, Inc. & Consolidated Subsidiaries
Unaudited Consolidated Statements of Income

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|---|---------------------------|---------|------------------------------|-----------|
| (\$ in thousands, except per share amounts) | 2016 | 2015 | 2016 | 2015 |
| Revenues: | | | | |
| Net premiums earned | \$ 531,932 | 490,309 | 1,054,390 | 966,432 |
| Net investment income earned | 31,182 | 32,230 | 61,951 | 59,147 |
| Net realized gains (losses): | | | | |
| Net realized investment gains | 2,314 | 1,031 | 3,203 | 22,008 |
| Other-than-temporary impairments | (559) | (4,451) | (4,152) | (6,545) |
| Other-than-temporary impairments on fixed income securities recognized in other comprehensive income | 10 | — | 10 | — |
| Total net realized gains (losses) | 1,765 | (3,420) | (939) | 15,463 |
| Other income | 3,868 | 2,854 | 4,819 | 4,823 |
| Total revenues | 568,747 | 521,973 | 1,120,221 | 1,045,865 |
| Expenses: | | | | |
| Loss and loss expense incurred | 298,479 | 291,561 | 595,623 | 576,560 |
| Policy acquisition costs | 190,731 | 169,770 | 373,958 | 334,493 |
| Interest expense | 5,620 | 5,612 | 11,226 | 11,216 |
| Other expenses | 11,606 | 8,265 | 25,228 | 20,541 |
| Total expenses | 506,436 | 475,208 | 1,006,035 | 942,810 |
| Income before federal income tax | 62,311 | 46,765 | 114,186 | 103,055 |
| Federal income tax expense: | | | | |
| Current | 18,318 | 7,733 | 32,402 | 19,987 |
| Deferred | 392 | 5,264 | 1,151 | 9,592 |
| Total federal income tax expense | 18,710 | 12,997 | 33,553 | 29,579 |
| Net income | \$ 43,601 | 33,768 | 80,633 | 73,476 |
| Earnings per share: | | | | |
| Basic net income | \$ 0.75 | 0.59 | 1.40 | 1.29 |
| Diluted net income | \$ 0.74 | 0.58 | 1.38 | 1.27 |
| Dividends to stockholders | \$ 0.15 | 0.14 | 0.30 | 0.28 |

Selective Insurance Group, Inc. & Consolidated Subsidiaries
Unaudited Consolidated Statements of Comprehensive Income

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|---|---------------------------|----------|------------------------------|----------|
| (\$ in thousands) | 2016 | 2015 | 2016 | 2015 |
| Net income | \$ 43,601 | 33,768 | 80,633 | 73,476 |
| Other comprehensive income (loss), net of tax: | | | | |
| <i>Unrealized gains on investment securities:</i> | | | | |
| Unrealized holding gains (losses) arising during period | 36,188 | (39,160) | 78,917 | (23,574) |
| Non-credit portion of other-than-temporary impairments recognized in other comprehensive income | (6) | — | (6) | — |
| <i>Amounts reclassified into net income:</i> | | | | |
| Held-to-maturity securities | (12) | (120) | (59) | (290) |
| Non-credit other-than-temporary impairments | — | — | — | 232 |
| Realized (gains) losses on available-for-sale securities | (1,145) | 2,225 | 609 | (10,707) |
| Total unrealized gains (losses) on investment securities | 35,025 | (37,055) | 79,461 | (34,339) |
| <i>Defined benefit pension and post-retirement plans:</i> | | | | |
| <i>Amounts reclassified into net income:</i> | | | | |
| Net actuarial loss | 985 | 1,111 | 1,971 | 2,222 |
| Total defined benefit pension and post-retirement plans | 985 | 1,111 | 1,971 | 2,222 |
| Other comprehensive income (loss) | 36,010 | (35,944) | 81,432 | (32,117) |
| Comprehensive income (loss) | \$ 79,611 | (2,176) | 162,065 | 41,359 |

Selective Insurance Group, Inc. & Consolidated Subsidiaries
Unaudited Consolidated Statements of Stockholders' Equity

| (\$ in thousands) | Six Months Ended June 30, | |
|---|------------------------------|------------------|
| | 2016 | 2015 |
| Common stock: | | |
| Beginning of year | \$ 201,723 | 199,896 |
| Dividend reinvestment plan (shares: 20,808 – 2016; 26,843 – 2015) | 42 | 54 |
| Stock purchase and compensation plans (shares: 569,034 – 2016; 611,076 – 2015) | 1,138 | 1,222 |
| End of period | <u>202,903</u> | <u>201,172</u> |
| Additional paid-in capital: | | |
| Beginning of year | 326,656 | 305,385 |
| Dividend reinvestment plan | 696 | 677 |
| Stock purchase and compensation plans | 12,757 | 11,233 |
| End of period | <u>340,109</u> | <u>317,295</u> |
| Retained earnings: | | |
| Beginning of year | 1,446,192 | 1,313,440 |
| Net income | 80,633 | 73,476 |
| Dividends to stockholders (\$0.30 per share – 2016; \$0.28 per share – 2015) | (17,583) | (16,235) |
| End of period | <u>1,509,242</u> | <u>1,370,681</u> |
| Accumulated other comprehensive income (loss): | | |
| Beginning of year | (9,425) | 19,788 |
| Other comprehensive income (loss) | 81,432 | (32,117) |
| End of period | <u>72,007</u> | <u>(12,329)</u> |
| Treasury stock: | | |
| Beginning of year | (567,105) | (562,923) |
| Acquisition of treasury stock (shares: 138,007 – 2016; 129,352 – 2015) | (4,419) | (3,583) |
| End of period | <u>(571,524)</u> | <u>(566,506)</u> |
| Total stockholders' equity | <u>\$ 1,552,737</u> | <u>1,310,313</u> |

Selective Insurance Group, Inc. & Consolidated Subsidiaries
Unaudited Consolidated Statements of Cash Flow

| (\$ in thousands) | Six Months Ended June 30, | |
|--|------------------------------|-----------|
| | 2016 | 2015 |
| Operating Activities | | |
| Net income | \$ 80,633 | 73,476 |
| <i>Adjustments to reconcile net income to net cash provided by operating activities:</i> | | |
| Depreciation and amortization | 30,155 | 29,085 |
| Stock-based compensation expense | 7,203 | 6,049 |
| Undistributed losses of equity method investments | 1,677 | 2,117 |
| Net realized losses (gains) | 939 | (15,463) |
| <i>Changes in assets and liabilities:</i> | | |
| Increase in reserve for loss and loss expenses, net of reinsurance recoverables | 41,986 | 66,609 |
| Increase in unearned premiums, net of prepaid reinsurance | 89,109 | 83,789 |
| Decrease in net federal income taxes | 2,380 | 19,232 |
| Increase in premiums receivable | (91,391) | (88,813) |
| Increase in deferred policy acquisition costs | (15,395) | (17,616) |
| (Increase) decrease in interest and dividends due or accrued | (1,030) | 395 |
| Decrease in accrued salaries and benefits | (48,603) | (18,171) |
| Increase in other assets | (3,877) | (743) |
| (Decrease) increase in other liabilities | (34,659) | 25,651 |
| Net adjustments | (21,506) | 92,121 |
| Net cash provided by operating activities | 59,127 | 165,597 |
| Investing Activities | | |
| Purchase of fixed income securities, available-for-sale | (411,538) | (463,758) |
| Purchase of fixed income securities, held-to-maturity | (4,235) | — |
| Purchase of equity securities, available-for-sale | (16,796) | (177,386) |
| Purchase of other investments | (17,734) | (2,947) |
| Purchase of short-term investments | (691,496) | (732,278) |
| Sale of fixed income securities, available-for-sale | 22,114 | 22,323 |
| Sale of short-term investments | 680,865 | 695,901 |
| Redemption and maturities of fixed income securities, held-to-maturity | 44,615 | 68,704 |
| Redemption and maturities of fixed income securities, available-for-sale | 264,244 | 254,995 |
| Sale of equity securities, available-for-sale | 83,793 | 135,548 |
| Distributions from other investments | 13,380 | 17,840 |
| Purchase of property and equipment | (8,187) | (7,591) |
| Net cash used in investing activities | (40,975) | (188,649) |
| Financing Activities | | |
| Dividends to stockholders | (16,569) | (15,211) |
| Acquisition of treasury stock | (4,419) | (3,583) |
| Net proceeds from stock purchase and compensation plans | 4,368 | 4,037 |
| Proceeds from borrowings | 55,000 | 15,000 |
| Repayments of borrowings | (55,000) | — |
| Excess tax benefits from share-based payment arrangements | 1,761 | 1,549 |
| Repayments of capital lease obligations | (2,661) | (2,331) |
| Net cash used in financing activities | (17,520) | (539) |
| Net increase (decrease) in cash | 632 | (23,591) |
| Cash, beginning of year | 898 | 23,959 |
| Cash, end of period | \$ 1,530 | 368 |

Selective Insurance Group, Inc.
Combined Insurance Company Subsidiaries
Statutory Balance Sheets
(unaudited)

| (\$ in thousands) | June 30, 2016 | June 30, 2015 | December 31, 2015 |
|---|---------------------|------------------|----------------------|
| ASSETS | | | |
| Bonds | \$ 4,604,199 | 4,317,425 | 4,491,136 |
| Common stocks | 139,419 | 211,119 | 194,789 |
| Preferred stocks | 12,950 | 17,742 | 11,856 |
| Affiliated mortgage loan | 34,749 | 35,567 | 35,163 |
| Other investments | 124,004 | 137,366 | 128,788 |
| Short-term investments | 177,354 | 144,696 | 165,678 |
| Total investments | 5,092,675 | 4,863,915 | 5,027,410 |
| Cash on hand and in banks | (18,294) | (27,701) | (34,378) |
| Interest and dividends due and accrued | 39,892 | 38,438 | 38,466 |
| Premiums receivable | 700,827 | 644,590 | 609,146 |
| Reinsurance recoverable on paid losses and expenses | 15,482 | 7,224 | 10,949 |
| Deferred tax recoverable | 152,565 | 140,904 | 142,066 |
| EDP equipment | 448 | 406 | 390 |
| Equities and deposits in pools and associations | 11,827 | 10,930 | 10,920 |
| Receivable for sold securities | 2,295 | 3,695 | 17 |
| Other assets | 27,075 | 25,226 | 28,300 |
| Total assets | \$ 6,024,792 | 5,707,627 | 5,833,286 |
| LIABILITIES | | | |
| Reserve for losses | \$ 2,450,518 | 2,438,075 | 2,426,583 |
| Reinsurance payable on paid loss and loss expense | 3,337 | 3,301 | 2,841 |
| Reserve for loss expenses | 546,060 | 518,171 | 525,322 |
| Unearned premiums | 1,117,930 | 1,032,615 | 1,028,820 |
| Reserve for commissions payable | 74,020 | 62,229 | 89,740 |
| Ceded balances payable | 35,741 | 28,475 | 37,222 |
| Federal income tax payable | 17,505 | 15,291 | 25,644 |
| Premium and other taxes payable | 21,474 | 23,076 | 23,998 |
| Borrowed money | 60,029 | 60,029 | 60,031 |
| Reserve for dividends to policyholders | 7,225 | 5,192 | 5,805 |
| Reserves for unauthorized reinsurance | 2,030 | 7,661 | 2,030 |
| Payable for securities | 51,981 | 15,929 | 6,204 |
| Funds withheld on account of others | 7,490 | 7,503 | 6,806 |
| Accrued salaries and benefits | 59,827 | 53,551 | 77,933 |
| Other liabilities | 63,090 | 91,899 | 87,987 |
| Total liabilities | 4,518,257 | 4,362,997 | 4,406,966 |
| POLICYHOLDERS' SURPLUS | | | |
| Capital | 42,725 | 42,725 | 42,725 |
| Paid in surplus | 492,869 | 492,869 | 492,869 |
| Unassigned surplus | 970,941 | 809,036 | 890,726 |
| Total policyholders' surplus | 1,506,535 | 1,344,630 | 1,426,320 |
| Total liabilities and policyholders' surplus | \$ 6,024,792 | 5,707,627 | 5,833,286 |

Selective Insurance Group, Inc.
Combined Insurance Company Subsidiaries
Statutory Statements Of Income
(unaudited)

| | Quarter Ended June | | Six Months Ended June | |
|---|-----------------------|-----------|--------------------------|-----------|
| (\$ in thousands) | 2016 | 2015 | 2016 | 2015 |
| UNDERWRITING | | | | |
| Net premiums written | \$ 578,140 | 532,133 | 1,143,499 | 1,050,221 |
| Net premiums earned | 531,932 | 490,309 | 1,054,390 | 966,432 |
| Net losses paid | 241,720 | 224,744 | 452,393 | 419,110 |
| Change in reserve for losses | (5,768) | 5,530 | 23,935 | 39,544 |
| Net losses incurred | 235,952 | 230,274 | 476,328 | 458,654 |
| | 44.3% | 47.0% | 45.2% | 47.5% |
| Net loss expenses paid | 51,045 | 49,067 | 97,169 | 94,061 |
| Change in reserve for loss expenses | 11,111 | 12,418 | 20,738 | 24,661 |
| Net loss expenses incurred | 62,156 | 61,485 | 117,907 | 118,722 |
| | 11.7% | 12.5% | 11.2% | 12.2% |
| Net underwriting expenses incurred | 198,201 | 180,898 | 389,118 | 351,836 |
| | 34.4% | 33.9% | 34.0% | 33.5% |
| Total deductions | 496,309 | 472,657 | 983,353 | 929,212 |
| Statutory underwriting gain | 35,623 | 17,652 | 71,037 | 37,220 |
| Net loss from premium balances charged off | (633) | (703) | (1,324) | (1,313) |
| Finance charges and other income | 3,902 | 2,922 | 4,864 | 4,916 |
| Total other income | 3,269 | 2,219 | 3,540 | 3,603 |
| | -0.6% | -0.3% | -0.3% | -0.3% |
| Policyholders' dividends incurred | (1,618) | (1,844) | (3,271) | (3,369) |
| | 0.3% | 0.4% | 0.3% | 0.3% |
| Total underwriting gain | 37,274 | 18,027 | 71,306 | 37,454 |
| | 90.1% | 93.5% | 90.4% | 93.2% |
| INVESTMENT | | | | |
| Net investment income earned | 30,899 | 32,155 | 61,522 | 59,282 |
| Net realized gain | 1,762 | (3,422) | (942) | 15,461 |
| Total income before income tax | 69,935 | 46,760 | 131,886 | 112,197 |
| Federal income tax expense | 21,902 | 12,530 | 38,505 | 19,791 |
| Net income | \$ 48,033 | 34,230 | 93,381 | 92,406 |
| Policyholders' Surplus | | | | |
| Surplus, beginning of period | \$ 1,461,326 | 1,322,422 | 1,426,320 | 1,307,842 |
| Net income | 48,033 | 34,230 | 93,381 | 92,406 |
| Change in deferred taxes | 1,149 | (1,959) | 1,501 | (12,153) |
| Change in net unrealized capital gains / (losses) | 2,926 | (637) | 8,237 | (13,547) |
| Dividends to stockholders | (15,253) | (14,438) | (30,507) | (28,876) |
| Change in non-admitted assets | 6,924 | 3,398 | 4,742 | (4,271) |
| Change in Overfunded Contra Asset | (22,653) | (280) | (23,700) | (561) |
| Qual Pen Trans Liab | 24,061 | 1,843 | 26,517 | 3,689 |
| Excess Plan Trans Liab | 19 | 43 | 38 | 86 |
| PRL Plan Trans Liab | 3 | 8 | 6 | 15 |
| Net change in surplus for period | 45,209 | 22,208 | 80,215 | 36,788 |
| Surplus, end of period | \$ 1,506,535 | 1,344,630 | 1,506,535 | 1,344,630 |
| Statutory underwriting gain | \$ 37,274 | 18,027 | 71,306 | 37,454 |
| Adjustments under GAAP: | | | | |
| Deferred policy acquisition costs | 7,606 | 11,268 | 15,395 | 17,616 |
| Other, net | (1,103) | (171) | (1,969) | 75 |
| GAAP underwriting gain | \$ 43,777 | 29,124 | 84,732 | 55,145 |

Note: Some amounts or ratios may not foot due to rounding

Selective Insurance Group, Inc. and Consolidated Subsidiaries
Alternative Investments
June 30, 2016
(unaudited)

| Strategy | Number of Funds | Original Commitment | Remaining Commitment | Current Market Value |
|--|------------------------|----------------------------|-----------------------------|-----------------------------|
| Private Equity | 10 | 118,498,351 | 34,116,513 | 28,438,848 |
| Private Credit | 7 | 80,000,000 | 23,242,735 | 23,336,118 |
| Real Assets | 7 | 100,000,000 | 30,273,409 | 14,132,399 |
| TOTAL - ALTERNATIVE INVESTMENTS | 24 | 298,498,351 | 87,632,657 | 65,907,365 |

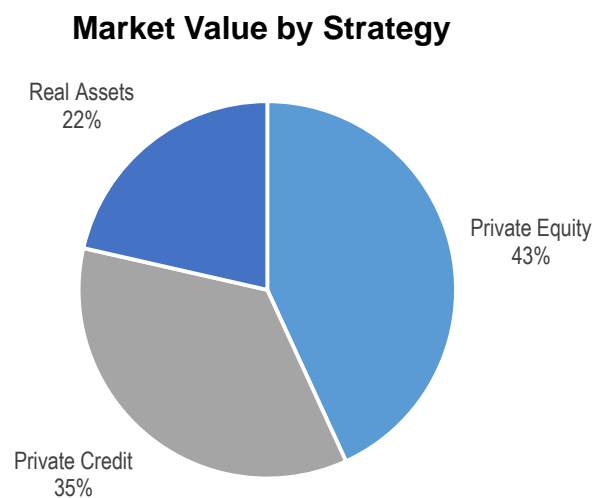
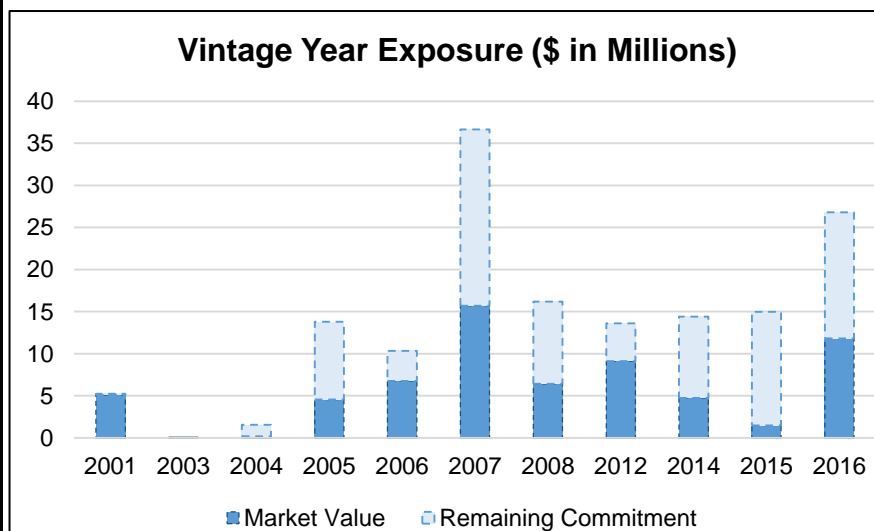


Exhibit may not foot due to rounding